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INTELLIGENCE MEMORANDUM

CAPITAL CONSTRUCTION IN COMMUNIST CHINA:
THE ECONOMY DRIVE IN 1955 AND ACCELERATION IN 1956

CIA/RR IM-434

5 October 1956

WARNING

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CENTRAL INTELLIGENCE AGENCY

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FOREWORD

This memorandum has been prepared as a result of the interest which the intelligence community has shown in Chinese Communist announcements of intentions to increase state investment in capital construction in 1956 about 62 percent above that in 1955. In view of the much more modest increases achieved in the previous 2 years of the First Five Year Plan (1953-57), the planning for such an increase in 1956 might appear to be an unrealistic appraisal of the present capabilities of the economy of Communist China.

To clarify this issue and to put the 5-year program for capital construction in perspective, the construction industry of Communist China is analyzed from several points of view. First, the several factors affecting the 1956 performance in capital construction (both industrial and nonindustrial) are examined as a means of evaluating the feasibility of the planned 62-percent increase in capital construction in 1956. Second, the 1955 drive for economy in capital investment and its concomitant effects upon the construction effort are analyzed. Third, the prospects for capital construction in 1956 are outlined. Finally, the probability of overfulfillment in 1957 of the goal for capital construction in the First Five Year Plan is discussed.

The methodology employed in this memorandum is implicit in the text itself.*

* See especially I, A, p. 3, below.

S-E-C-R-E-T

S-E-C-R-E-T

CONTENTS

	<u>Page</u>
Summary	1
I. Capital Construction Under the First Five Year Plan (1953-57)	2
A. Normal Curve of Construction for Industrial Projects .	3
B. Timing of Industrial Construction Projects Under the Five Year Plan	4
C. Construction in Nonindustrial Sectors	5
D. Installation of Machinery and Equipment	5
E. Tempo of Construction	6
F. Organization and Management of the Construction Effort	6
II. Economy Drive in 1955 and Acceleration in 1956	7
A. Savings from the Economy Drive	8
B. Disruption Under the Economy Drive	8
C. Acceleration in 1956	10
III. Problems and Prospects for 1956 and 1957	10
A. Problems	11
B. Achievements and Prospects	13

Appendixes

Appendix A. Gaps in Intelligence	15
Appendix B. Source References	17

- v -

S-E-C-R-E-T

S-E-C-R-E-T

Chart

Following Page

Communist China: Estimated Yearly Distribution
of the Total Planned Volume of Capital Invest-
ment Under the First Five Year Plan (1953-57). 14

- vi -

S-E-C-R-E-T

CIA/RR IM-434
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S-E-C-R-E-T

CAPITAL CONSTRUCTION IN COMMUNIST CHINA:
THE ECONOMY DRIVE IN 1955 AND ACCELERATION IN 1956*

Summary

The Chinese Communists have announced that state investment** in capital construction in 1956 is to increase 62 percent above that in 1955. Although increases of only 15 percent a year were achieved in 1954 and 1955, the nature of the program in capital construction under the First Five Year Plan (1953-57) is such that a considerably greater increase can be forthcoming in 1956.

It is not clear as yet whether the planned 62-percent increase will be achieved. The tempo of construction has been increased, and ministerial reorganizations have been made to facilitate the increase. The preparation of blueprints, however, still lags behind building schedules; the supply and distribution of construction materials, especially steel, cement, and lumber, is a continuing problem; construction technicians and engineers are still in short supply; and the supply of machinery and equipment has been behind schedule. Even with a considerable underfulfillment of the planned increase of 62 percent in capital construction in 1956, however, the Chinese Communists will be in a favorable position in 1957 to overfulfill the total volume of capital construction planned for the 5 years of the First Five Year Plan.

* The estimates and conclusions contained in this memorandum represent the best judgment of ORR as of 20 September 1956.

** All references to investment in this memorandum are to investment by the state.

S-E-C-R-E-T

S-E-C-R-E-T

I. Capital Construction Under the First Five Year Plan (1953-57).

The Chinese Communists began 1956 with the claim that state investment in capital construction* would be 50 percent more than in 1955. 1/** Early in May the planned increase was announced as 68 percent. 2/ The latest information indicates a downward revision to 62 percent. 3/ Although the planned 62-percent increase might appear to be excessive compared with the 15-percent yearly increases achieved in 1954 and 1955, 4/ the several considerations outlined below put fulfillment of the 1956 plan within the capabilities of the Chinese Communist economy in this fourth year of the First Five Year Plan (1953-57).

A total of 42.74 billion yuan is to be invested in capital construction in the period of the First Five Year Plan. 5/ If the yearly distribution of this 5-year total is examined, the picture emerges as in the accompanying chart.*** Of the total volume of capital construction planned for the 5 years, 15 percent, 17.5 percent, and 20 percent were achieved in the years 1953, 1954, and 1955, respectively. 6/ The planned 62-percent increase in capital investment in 1956 above that in 1955 amounts to planning for 1956 a 33-percent portion of the 5-year volume of capital investment. Along with the achievements of 1953-55, this would leave for 1957 only a 14.5-percent portion of the original Five Year Plan,**** as designated by the solid line in the chart.

The achievement in 1956, therefore, is the crucial determinant of how much of the planned 5-year volume of capital construction remains for 1957. The several factors outlined below are believed to be the most important determinants of feasible achievements in 1956.

* Recently acquired evidence indicates that the Chinese Communists have not been quoting capital investment in constant prices. It is not yet clear whether the use of current prices has overstated or understated the physical volume of completed capital construction, but it is believed that prices have not fluctuated so much as to invalidate the conclusions in this memorandum.

** For serially numbered source references, see Appendix B.

*** Following p. 14.

**** Li Fu-chun, Chairman of the State Planning Commission, stated that 54.6 percent of the volume of capital construction planned for the Five Year Plan period had been achieved in the first 3 years. The claimed 54.6 percent for 1953-55 plus the 33-percent portion planned for 1956 would leave only 12.4 percent of the 5-year planned volume for 1957. 7/

- 2 -

S-E-C-R-E-T

S-E-C-R-E-T

A. Normal Curve of Construction for Industrial Projects.

If the progress of capital construction on a single industrial construction project is considered in terms of the following five phases -- survey and design, grading and excavation, erection, installation of machinery and equipment, and putting the project into production -- a curve representing the value of capital construction put in place may be apportioned roughly over the period of construction according to the value realized in the different phases.

Such curves for industrial construction projects follow a pattern in which the value of capital construction put in place is much lower per unit of time in the survey-design and excavation phases than in the erection and installation period and is low again in the final phase of putting the project into production. The curves reach their peaks in the erection and installation periods for two reasons, as follows:

1. The value of capital construction rises rapidly in the erection phase, when skilled labor and processed construction materials such as brick, steel, cement, and lumber are utilized at high rates. By contrast, the preceding phase of grading and excavation usually represents a relatively low value of capital construction because work in this phase consists mostly of the removal and/or placement of large volumes of the natural construction materials -- earth and rock -- by unskilled labor and/or machinery.

2. Machinery and equipment, installed upon completion of erection work, have a high value of capital investment. Thus the normal curve for an industrial construction project is skewed to the left -- that is, the peak is to the right of the midpoint, and the curve drops rapidly with the completion of erection and installation work.

This phenomenon -- the disproportionately high value of capital construction put in place in the erection and installation period of an industrial project -- is of distinct importance in evaluating the feasibility of the planned 62-percent increase in capital construction in Communist China in 1956 above that in 1955.

S-E-C-R-E-T

B. Timing of Industrial Construction Projects Under the Five Year Plan.

The original 694 above-norm industrial construction projects* to be started under the First Five Year Plan of Communist China are not evenly distributed over the 5-year period. The important projects were said to be concentrated in the 3-year period from 1955 to 1957. 8/ Whereas 136 of the above-norm industrial construction projects were completed in the 2 years 1953 and 1954, 9/ 117 were completed in 1955 alone.** In 1956, 162 of these projects are to be completed, and "the largest and most technically complicated projects of the Five Year Plan will be launched on a full scale" 11/ It then would be necessary to complete in 1957 only another 40 of the above-norm industrial construction projects in order to fulfill the original goal of completing during the period of the Five Year Plan 455 of the 694 projects. 12/

An examination of the distribution of the completed and to-be-completed above-norm industrial construction projects of the Five Year Plan, therefore, indicates that completions will be concentrated in 1956, compared with previous years. The increased number of completions scheduled for 1956 in itself is an important factor in increasing the value of capital construction in 1956 compared with 1955. The important characteristic of completion stages in industrial projects, however, is that the erection and installation period is one of disproportionately high value of capital investment compared with the previous phases. This fact, together with the facts that in 1956 a greater proportion of the industrial projects scheduled for completion are among the largest and most complex under the Five Year Plan and that industrial capital investment is a large part of total capital investment, lends considerable weight to the feasibility of the planned 62-percent increase in capital investment for 1956.

* Norms of investment have been established for different types of construction projects. Those projects in which investment will be above the norm set are subject to much closer control by the state than are below-norm projects.

** This statement includes projects put into partial production, as opposed to 82 projects put into full-scale production in 1955. 10/

- 4 -

S-E-C-R-E-T

S-E-C-R-E-T

C. Construction in Nonindustrial Sectors.

Considerable increases in capital construction in nonindustrial sectors, especially railroads and water conservancy, are planned for 1956. A preliminary analysis indicates that some capital construction goals for the industrial sector may be overly ambitious ^{13/} but that overfulfillment in the nonindustrial sectors of railroads and water conservancy can compensate to some extent for possible underfulfillments in the industrial sector.

The Chinese Communists have performed well in the construction of new railroad lines. New trunk and branch railroad lines totaling 2,640 kilometers were constructed in the 3 years from 1953 to 1955. In 1956 alone, 1,985 kilometers of line are to be completed, bringing the total in 4 years to 113 percent of the target originally set for the Five Year Plan period. ^{14/} Capital investment in railroads (including provision for the 1,985 kilometers of new lines) is to increase 48.7 percent in 1956. ^{15/} It is expected that this goal, as well as the goal for the construction of new lines, will be met or exceeded. Similarly, whereas 2 billion yuan were invested in agriculture, forestry, and water conservancy projects in the period from 1953 to 1955, 1.3 billion yuan are to be invested in 1956 alone. ^{16/} This goal, too, probably will be fulfilled or overfulfilled because sufficient unskilled labor is available for work planned in this labor-intensive activity.

In the nonindustrial sectors, therefore, capital construction in both railroads and water conservancy supports the thesis that a considerable increase in capital construction for 1956, compared with previous years, is to be expected from the nature of the capital construction program under the First Five Year Plan.

D. Installation of Machinery and Equipment.

The value of machinery and equipment installed in 1956 will exceed the value installed in 1955 by a considerable amount if the increased number of scheduled completions of projects is achieved. Under the Five Year Plan, investment in machinery and equipment was to constitute 38 percent of total capital investment. ^{17/} In 1955, however, it was planned to be 49.5 percent of the total. ^{18/} Because of the delays in the supply of machinery and equipment encountered in 1955, ^{19/} it is doubtful that such a portion was achieved. The uncompleted projects will therefore be carried into 1956 for completion.

- 5 -

S-E-C-R-E-T

S-E-C-R-E-T

E. Tempo of Construction.

The tempo of industrial construction has been increasing. In mid-1955 it was planned that only 455 of the 694 above-norm industrial construction projects were to be completed by the end of 1957. 20/ Later in 1955 the number of planned completions was raised to at least 477. 21/ In June 1956, Li Fu-chun stated that 500 of the above-norm industrial construction projects were planned for completion within the Five Year Plan period.* 22/

The number of above-norm industrial construction projects scheduled to be started under the First Five Year Plan has been increased from the original 694 to more than 800. 23/ Although some of these additional projects may be in design stage only by 1957, the rest of them can be put under construction before the end of 1957. 24/

Among these above-norm industrial construction projects, 49 have been added to the list of projects receiving Soviet aid, raising the total of such projects from 156 to 205. Originally, only 45 of these projects were to be completed by the end of 1957; now, 65 are to be completed within the Five Year Plan period. 25/

Construction goals in nonindustrial sectors have also been raised. The Five Year Plan goal of rail construction and reconstruction has been doubled, and the number of construction projects in water conservancy has been increased. 26/

F. Organization and Management of the Construction Effort.

In this First Five Year Plan, Communist China is engaged in an enormous construction effort compared with previous years. Under such circumstances a considerable improvement in organization and management can be made in the later years of the Plan on the basis of experience in the previous 3 years.

Although a 62-percent increase in capital construction in 1956 will require much better organization and management of the construction effort, many improvements can be made which will facilitate a

* Although the planned numbers of starts and/or completions of both industrial and nonindustrial projects have been increased from the original goals, the goal for the value of total capital construction under the First Five Year Plan has not been changed.

- 6 -

S-E-C-R-E-T

S-E-C-R-E-T

large increase. The central planners seem to take account of this in a number of ways.

An additional output of construction equivalent to the annual output of 50,000 construction laborers apparently is required to achieve the planned acceleration in capital construction. In 1956, however, this additional output can be achieved largely through increased utilization of the pool of existing construction manpower rather than by adding 50,000 men to the construction labor force. ^{27/} For example, more than 24 million man-days of labor were lost in 1955 because of work stoppages, idle labor, and absenteeism. ^{28/} In other words, labor productivity is to increase through greater utilization of available manpower.

Most of the building construction and installation enterprises now in existence are said to have benefited from actual experience in the past 3 years. The Chinese Communists state that these experienced organizations will play an extremely important part in the fulfillment of the construction tasks for the last 2 years of the First Five Year Plan. ^{29/}

The recently established Ministry of City Construction is assuming responsibilities for civil construction* that have been shed by the Ministry of Construction and the industrial departments. ^{30/} The separation of responsibilities for civil and industrial construction should facilitate standardization of designs and increase efficiency in both civil and industrial construction.

Most important, however, in facilitating improvement in the organization and management of the construction effort in 1956 is the fact that the vast economy drive of 1955 is over.

II. Economy Drive in 1955 and Acceleration in 1956.

In the spring of 1955 a campaign to economize capital investments was started which became increasingly disruptive to the construction effort as the year progressed.

* Civil construction includes all types of construction except industrial and military.

- 7 -

S-E-C-R-E-T

S-E-C-R-E-T

A. Savings from the Economy Drive.

In the announcement of the First Five Year Plan, Li Fu-chun pointed out that 24.3 percent of capital investment in 1954 was expended on nonproductive construction projects and that nonproductive investment in 1953-54 by the 6 industrial ministries of the central government constituted 21.6 percent of total capital investment by these ministries. This share was said to be in need of revision when compared with the 14.5-percent share for the industrial ministries of the USSR under their First Five Year Plan (1928-32). 31/

According to the Plan, the economy campaign in Communist China was to result in a saving of about 680 million yuan in 1955 32/ and a total of about 2.5 billion yuan for the last 3 years of the First Five Year Plan. 33/

The economy drive consisted of the following two parts: (1) the reduction of the cost of construction inputs, and (2) the cancellation of "unnecessary" subprojects. The reduction of costs was applied to both nonproductive and productive projects, whereas cancellation was applied almost wholly to nonproductive investments.

The primary purpose of the economy drive was to reduce the amount of capital investment in the less productive projects in order to permit the shift of construction resources released thereby into more productive channels. Thus the economy drive was to provide one of the means for the recent acceleration of capital construction.

B. Disruption Under the Economy Drive.

Implementation of the economy drive would naturally require changes in the pattern of priorities for construction projects, and these changes could only aggravate problems of organizing and managing the construction effort which troubled the industry in 1954. These problems resulted from the following: (1) frequent alteration of construction plans, (2) delays in the completion of designing data, and (3) "blind purchasing" by construction materials supply departments. 34/

- 8 -

S-E-C-R-E-T

S-E-C-R-E-T

The overzealousness of the drive as it gathered momentum resulted in a saving of more than 1 billion yuan in 1955 (48 percent more than planned), ^{35/} but it also resulted in a much greater disruption of construction activity than would have been necessary under the economy drive as it was originally planned.

A rough measure of the disruptive effects upon the organization of the construction effort is provided by an apparent drop in state building construction between 1954 and 1955. The state constructed a total of 30 million square meters of floorspace in 1953 ^{36/} and 47 million in 1954. ^{37/} In mid-1955, however, construction of floorspace for 1955 was expected to total only 30 million square meters. ^{38/} Housing construction rose from 13 million square meters in 1954 ^{39/} to 14 million in 1955. ^{40/} The estimated drop of 17 million square meters in construction of floorspace in 1955 compared with 1954 is, therefore, a drop in the construction of nonhousing floorspace. Although an estimate of construction of industrial floorspace in 1954 is not available, it seems clear that most, if not all, of the estimated drop in construction of floorspace is attributable to a reduction in construction of nonproductive floorspace other than housing.

This drop in the construction of floorspace had its effect on the distribution and supply of construction materials. Thus the Peiping Peoples Daily noted that "with the massive reduction of non-productive buildings under the practice-rigid-economy call of the central planners, building materials like steel, cement, brick and tiles were temporarily tied up" ^{41/}

The supply of cement, however, became more than a temporary problem. In fact, the 1955 production plan for cement was drastically revised as a result of the economy program. As announced in July 1955, production of cement in 1955 was to increase by 21.7 percent above that in 1954. ^{42/} This was revised to conform to "actual requirements" under the economy campaign, with nearly a 25-percent reduction from the total output previously planned for 1955. ^{43/} Although it was possible for the cement industry (given the demand) to have produced an estimated 5.3 million metric tons in 1955, ^{44/} only 4.5 million metric tons were actually produced, ^{45/} slightly less than the 4.6 million produced the previous year. ^{46/} Thus the reduction in the planned production of cement for 1955 is another measure of the disruption caused by the economy program.

- 9 -

S-E-C-R-E-T

S-E-C-R-E-T

"Blind purchasing" of construction materials was an organizational and management problem which continued to plague the construction and construction materials industries of Communist China throughout 1955. For example, quarterly estimates of construction materials required in 1955 contained an insurance factor of 20 percent. ^{47/} Such overordering could only aggravate the problem of securing a rational redistribution of construction materials under the economy program.

Late delivery of blueprints and work designs has always been a problem for the construction industry of Communist China. Under the economy program, many changes of construction plans were made; thus revisions of blueprints and work designs became an even more serious handicap to an efficient organization of construction activity. In the Ministry of Heavy Industry, for example, an estimated 44.5 percent of the unfinished volume of capital construction in the first half of 1955 was attributable to difficulties with construction design work. ^{48/}

C. Acceleration in 1956.

Now that the vastly disruptive effects of the economy drive of 1955 have been experienced, considerable improvement should be forthcoming in the organization and management of the construction effort. Construction plans need not be revised so frequently, and the elimination of much of the overordering of materials should permit a more rational distribution of the supply.

The most important positive result of the economy drive, however, is the acceleration of industrial construction in 1956. Thus, despite some inappropriate cuts in investments in some projects, the economies which were achieved in capital construction in 1955 alone enabled Communist China to add about 60 above-norm industrial construction projects to the original list of 694. ^{49/}

III. Problems and Prospects for 1956 and 1957.

It is not yet clear whether the planned increase in capital investment of 62 percent in 1956 above that in 1955 will be achieved. It is clear, however, from the several considerations presented above -- the timing and concentration of completions in industrial projects, the

- 10 -

S-E-C-R-E-T

S-E-C-R-E-T

favorable situation in important elements of nonindustrial capital construction, the carryover from 1955 of machinery and equipment installations, the increased tempo of construction, and changes in the organization of the construction effort -- that a considerably greater increase in capital investment can be achieved in 1956 above that in 1955 than was achieved in 1955 above that in 1954 and in 1954 above that in 1953.

A. Problems.

Some of the problems which bear on the question of achievements in capital construction in 1956 are outlined below.

The timely completion of blueprints by designing departments was acknowledged to be the key to the fulfillment of the capital construction plan for 1956. The completion of designs and the supply of blueprints has improved considerably compared with 1955. This improvement has been accomplished by the adoption of standard designs and by the reuse of blueprints which were available from construction projects of similar categories. Designing still falls behind building schedules, however, because construction enterprises have made significant reductions in the time required for erection of buildings in many construction projects. 50/

The supply of both state-allocated and locally provided construction materials is inadequate to meet current demands. 51/ Steel is said to be extremely scarce and the supply of lumber insufficient. Furthermore, lack of steel, cement, and other materials early in 1956 has handicapped the work on many projects and affected the pace of capital construction. 52/

To provide better planning and control of the production, quality, and variety of construction materials, the Construction Materials Industry Control Bureau has been advanced to ministerial status. 53/ The substitution of reinforced concrete for steel and even for lumber (in such uses as pit props, telephone poles, and railroad ties) is urged as another means of easing the supply problem. 54/ Some economy in the use of cement itself may be forthcoming if plans to use bamboo-reinforced concrete are implemented 55/ -- that is, floors can be laid with less volume of concrete if bamboo-reinforced concrete is used instead of unreinforced concrete. Such means of economizing in the use of steel, lumber, and cement, however, will not contribute much in 1956 toward easing the problem of an inadequate supply of construction materials.

- 11 -

S-E-C-R-E-T

S-E-C-R-E-T

Although domestic production of steel materials in 1956 is planned at a 46- to 50-percent increase above that in 1955, Communist China's demand for steel materials will be 69 percent greater than in 1955. Because of this inequality between supply and demand, it is estimated that China will have to import 750,000 metric tons of steel products to meet domestic demand in 1956. 56/

Demand for cement in 1956 is to be 59 percent greater than in 1955. Announced production plans for cement in 1956 have varied from 40- to 48-percent increases over production in 1955. These production goals, however, are optimistic. It is estimated that it will be difficult for the Chinese Communists to produce more than 6 million metric tons of cement in 1956, which is only a 33-percent increase above 1955 production. 57/ Thus the inadequate supply of key construction materials, especially cement, may prove to be a serious obstacle to the fulfillment of the goal for capital construction in 1956.

The Chinese Communists apparently look to skillful distribution of the given supply of construction materials as another means of easing the supply situation. 58/ The great increase in capital construction planned for 1956, however, will tax the transportation facilities. In view of this, the Minister of Railroads requested the various construction control bureaus to effect an equal allocation of transport tonnage on a quarterly basis, 59/ but the seasonal pattern in construction simply precludes such reallocation for construction materials. Timely distribution of construction materials, therefore, may become a more serious problem as the year progresses.

Construction machinery and production machinery and equipment, both foreign and domestic, must be supplied on time so as not to delay the completion of construction and installation work. The total value of the output of the machine tool industry is to increase by 60 percent, according to plans for 1956, but this planned increase also is said to be inadequate to meet the demands of capital construction. 60/ This supply problem also may prove to be crucial.

Finally, skilled construction employees, including design and field engineers and foremen, as well as skilled construction laborers, are still scarce, especially those with technical experience in industrial construction and installation of machinery and equipment. 61/

S-E-C-R-E-T

To mitigate the problems outlined above, the Chinese Communists have reinforced their policy of key construction. The key construction projects will receive highest priority in the allocation of designs, equipment, and construction materials. Projects of lesser importance, therefore, will not be permitted to draw away resources needed by the key projects. To mitigate further the underfulfillment of the plan for capital construction in 1956, alternative construction projects were drafted along with the regular projects. Thus, if a project is delayed or handicapped by lack of designs or construction materials or machinery, work will be authorized on an alternative project with a more favorable supply situation. 62/

B. Achievements and Prospects.

Although the Ministry of Heavy Industry in November 1955 anticipated that its over-all construction situation for 1956 would be better than for any previous year -- the supply of design and construction work plans for 1956, its construction labor force, and the prospective supply dates of machinery and equipment were all adequate for its plans -- reports from other ministries are not yet available. 63/ The problems outlined above, however, can be evaluated for their aggregate effect upon capital construction by examining the claimed achievements for the first 5 months of 1956.

The target for capital construction in the first quarter of 1956 was set at 18 percent of the annual plan, but only about 6 percent was achieved by the end of February. This underfulfillment of capital construction plans for both January and February was attributed to delays in the supply of building materials and equipment and to faulty coordination between construction departments. 64/

First-quarter plans, however, have been underfulfilled consistently in previous years. In 1953 and 1954, only 7 to 8 percent of the annual capital construction plan was completed in the first quarter, and in 1955, 11 percent was completed. By contrast, in the fourth quarters of previous years, 35 to 41 percent of the annual plan was completed. 65/

- 13 -

S-E-C-R-E-T

S-E-C-R-E-T

By the end of May 1956, capital construction was still lagging behind the state plan. The underfulfillment was attributed to shortages in construction materials and equipment.* Thus one-fifth of the projects scheduled to be started in April were delayed because of the shortage in materials and equipment. The situation was even worse in May, when more projects were scheduled to be started. 66/ The shortage in the supply of construction materials led to a reappraisal of the capital construction plan. The original plan to invest 14.7 billion yuan in capital construction was reduced to 14 billion. 67/

Although capital construction in the first 5 months of this year fell short of the state plan, the 27 percent of the year's plan which was achieved represented an increase of 68 percent above the volume achieved in the same period in 1955. 68/ Thus, if the Chinese Communists maintain this pace, the planned increase in capital construction of 62 percent in 1956 above that in 1955 can be fulfilled. It is important to note, however, that if Communist China achieves only three-fourths of the 62-percent increase planned for capital construction in 1956, 30 percent of the planned 5-year volume of capital construction will have been achieved in 1956, leaving for 1957 only 17.5 percent of the volume of capital construction under the First Five Year Plan (see the accompanying chart**). Even with a considerable underfulfillment of the increase in capital construction planned for 1956, therefore, the economy will be left in a favorable position in 1957 for overfulfilling the total volume of capital construction planned under the Five Year Plan.

* It is believed that the reference to shortages of equipment refers both to construction machinery and to machinery and equipment for industrial production.

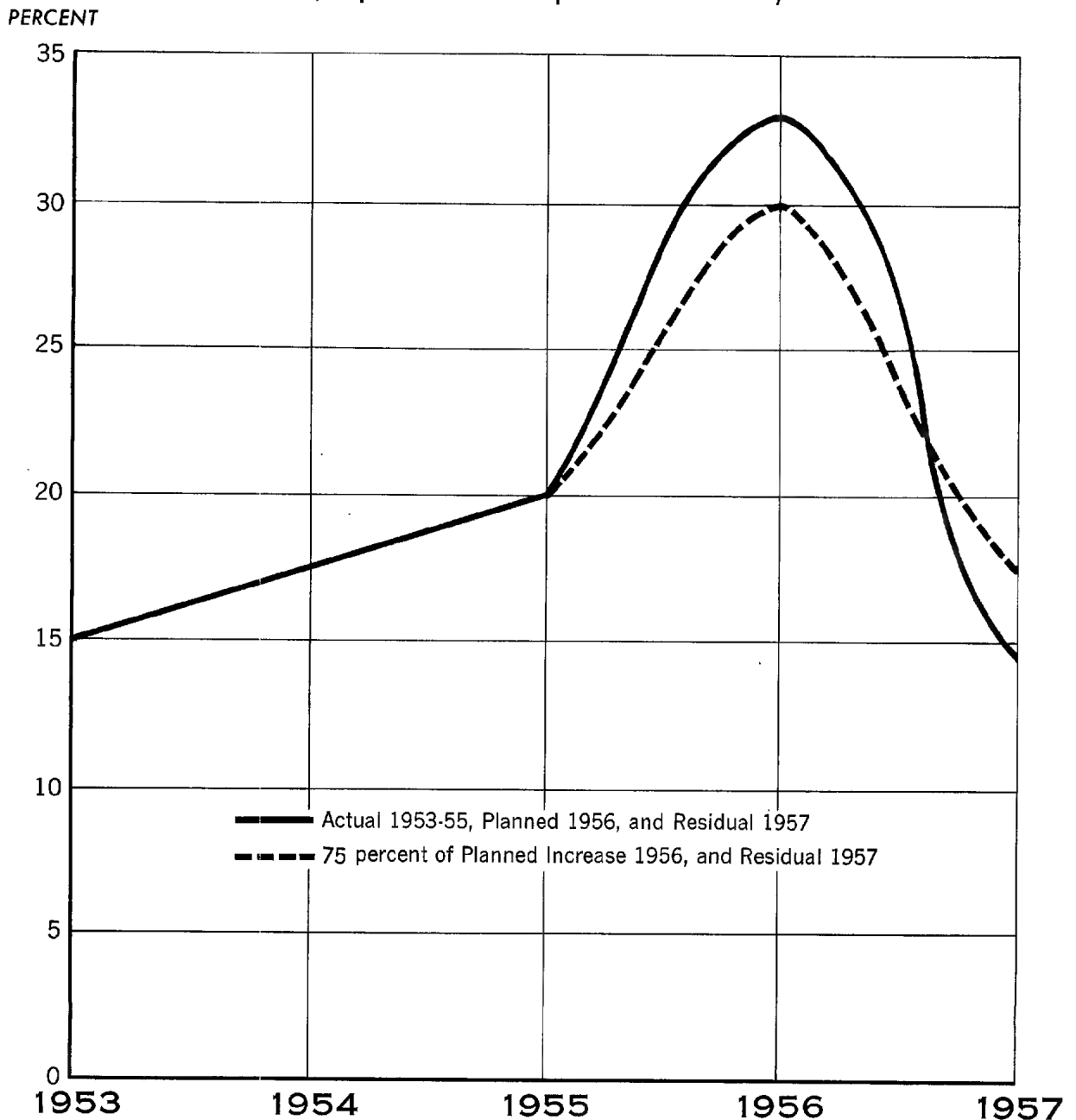
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- 14 -

S-E-C-R-E-T

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COMMUNIST CHINA
ESTIMATED YEARLY DISTRIBUTION
OF THE TOTAL PLANNED VOLUME OF
CAPITAL INVESTMENT
UNDER THE FIRST FIVE YEAR PLAN (1953-57)
(In percent of total planned investment)



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APPENDIX A

GAPS IN INTELLIGENCE

1. Supply of Construction Materials.

More specific information is needed on the degree of scarcity in steel, lumber, cement, and other construction materials with reference to the requirements of the construction program.

2. Value of Capital Construction for Individual Projects.

Information on the value of capital construction for individual construction projects, completed and to be completed, would strengthen the discussion of the timing and concentration of industrial construction projects.

3. Constant Prices and Current Prices.

The value of capital construction is stated in terms of current rather than constant prices. Strict conclusions about relative achievements in the physical volume of capital construction, therefore, are not permissible. Data on changes in prices of inputs to capital construction are needed to yield a better index of capital construction.

- 15 -

S-E-C-R-E-T

S-E-C-R-E-T

APPENDIX B

SOURCE REFERENCES

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Most of the information on Communist China in this report was obtained from statements in the press and radio as given in reports published by [REDACTED] the Foreign Documents Division (FDD) of CIA. The articles from Chinese periodicals, as translated in the two FDD documents cited, were exceptionally helpful in the evaluation of the program in capital construction.

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

- 17 -

S-E-C-R-E-T

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S-E-C-R-E-T

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